THE EFFECT OF CONSUMER AWARENESS ON CONSUMER ETHNOCENTRISM AND LOYALTY REGARDS TO THE FUNCTIONS OF INTERNATIONAL BRANDS

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ABSTRACT

The aim of this study to examine the relationships among consumer awareness, ethnocentrism, and loyalty in accordance with the functions of international brands. Our samples were 275 hypermarkets customers that randomly intercepted while shopping in famous hypermarket using an interviewer-administered questionnaire. The structural equation modeling technique was used to test the model. The results show that consumer awareness positively influences consumer ethnocentrism, while consumer awareness influences consumer loyalty. The results also reveal that consumer ethnocentrism influences consumer loyalty in a positive manner. We recommend that marketers consider consumer awareness, ethnocentrism, and loyalty with brand functions in order to design marketing programs.

Keywords: Consumer Awareness, Consumer Ethnocentrism, Loyalty, Brand Functions.

INTRODUCTION

The increasing of internationalization has climaxed in an increased motion of products across national borders [1-2]. The increased cross-border movement of products has strengthened contention in the international sector. Consequently, it has become a matter of vital for marketers to perceive their target marketplaces in this highly competitive international marketing environment [3-4]. Consumer loyalty is consumer attitudes on particular brands preference from prior use and shopping experience of a product [5-6], and it can be measured from repurchase ratio on a same brand. Assael [7] 1998 defines that loyalty is that consumers satisfy their past experience in use of the same brand and incur repurchase behavior. Loyalty means preferences that consumers will not consider other brands when they buy a product [8-9].

RESEARCH BACKGROUND

More scholarly focus has concentrated on consumer behavior studies, with a particular force on consumer ethnocentrism and attitudes toward import products [10-13, 1-3], as well as consumer loyalty [14-17], and the quality- and identity signaling functions of local brands to have direct effects on local brand choice. The relative importance of these brand functions in anticipating local brand purchases is important, particularly to managers interested in improving special aspects of their brands. Investigation in both developing and developed markets showed that, quality is perceived as a more important consideration than personal identity
While there has been a lack of focus on the causal relationships among consumer awareness, ethnocentrism, loyalty, and functions of brand (quality and identity).

**TERMINOLOGY OF MODEL**

**CONSUMER AWARENESS**

Awareness and knowledge has become a critical element in changing the attitude and behavior of consumers towards products, which in turn is required to make the growth in the markets [20-21]. Several studies have reported the knowledge, awareness, attitude, and behavior of consumers towards products in both developed and developing countries [22-23]. It has been argued that the consumer awareness & knowledge as well as consumption of products are significantly higher in developed countries rather than developing countries. Many studies show that consumers’ awareness and knowledge impose significant influence on different types of effective consumers’ behaviors [24-32]. For example, Hartlieb and Jones [25] emphasize the importance of ethical labeling for humanizing business images. The function of ethical labeling is to saliently develop the ethical qualities into product characteristics so that consumers become aware and have knowledge on the important aspect which are expected to influence consumers’ decisions or behaviors. Interim, Dommeyer and Gross [32] examines the role of consumers’ awareness and knowledge in the area of consumers’ private information invasion by direct-marketers. Their findings show that male and younger people have more awareness on privacy-related laws and practices. As argued in the marketing literature, consumers with comprehensive knowledge (here-after referred to as ‘professionals’ or ‘experts’) have a greater capacity for processing promotional messages [33-36]. The research findings present that professionals and non-professionals (here-after referred to as ‘non-professionals’ or ‘novices’) variously evaluate products and services, even though they may sometimes use the same sets of information [37-38].

There are many perspectives to conceptualize consumer knowledge [39-40, 33-34]. Some academics hint to the different dimensional of this phenomenon shows that its impact on consumer behavior largely depends on how it is operated [34-41]. Consumer awareness is associated with the scope of which consumers are aware of their rights and responsibilities in the marketplace [42]. Consumers who are aware of their rights and responsibilities make conscious purchase decisions and are protected against exploitation by businesses. As consumers become aware of their rights and responsibilities, they become a force to be reckoned with in the development and provision of goods and services. As they complain and seek redress, consumers play a significant role in any economy [43]. More so, the knowledge of consumer awareness enables policy makers to develop sound product policies that ensure that products are labeled correctly, that consumers can understand important information presented in advertising, or that minority groups are not disadvantaged [44].

**CONSUMER ETHNOCENTRISM**

Ethnocentrism indicatives are as view of all other groups, except of one’s own group. It can be seen in various aspects of daily life, in politics and social life (the situation in former Yugoslavia is a recent horrible example of the potential consequences of ethnocentrism), but also in economic and commercial environments when consumers are reluctant to using services provided by foreign companies as they fear this could harm the local economy. Consumer ethnocentrism is a phenomenon that influences consumer behavior, and therefore, has important marketing implications for companies operating in international markets or companies that are considering internationalizing. Consumer ethnocentrism is associated with whether or not the foreignness of a product impacts the preferences of consumers to that particular product. It explains consumer opinions about the congruence or morality of buying foreign-made products [45].
Ethnocentric consumers attracted towards assess foreign-made products unfavorably while blindly admitting locally made products. Such consumers may even protest foreign-made products simply because the products are “foreign.” However, non-ethnocentric consumers evaluate products based on merit regardless of their country of origin [46-45]. Recent research has linked the country of origin effect to levels of consumer ethnocentrism. Consumer ethnocentrism concentrates on the accountability and morality of buying foreign-made products and the loyalty of consumers to products manufactured in their home country [45]. Sharma et al. [47] suggest that consumer ethnocentrism may result in an overestimation of the attributes and overall quality of local products and an underestimation of the quality of foreign products. Murdock 1931 [48] made the observation that ethnocentrism is not only applicable to “tribes and nations” but “reveals itself in all kinds of social groups, developing into family pride, sectionalism, religious prejudice, racial discrimination, and patriotism” [47]. The distinguishing feature of ethnocentrism lies not as much in the development of an “in-group” pride as in its equal contempt for out-groups and portrayal of “out-groups” as the “anti-thesis” [49]. Lewis [50] claimed that ethnocentrism is “a universal phenomenon that is rooted deeply in most areas of inter-group relations” [47]. Some authors even argued that ethnocentrism is a part of human nature [51].

**PROPOSED MODEL AND RESEARCH HYPOTHESES**

The development of the concept of consumer ethnocentrism dates back to the primary work of Schooler [52]. His work sought to show one of the oldest concerns of marketers. Marketers had always wanted to know whether or not the imported product would influence consumer preferences toward that particular product [53]. Accordingly, the term consumer ethnocentrism was presented by Shimp and Sharma [45]. They derived this concept from the general concept of ethnocentrism, which describes “the universal proclivity for persons to view their own group as the heart of the universe, to interpret other people from the perspective of their own group, and to reject individuals who are culturally dislike while blindly admitting those who are culturally like themselves”. As such, individuals within a group treat themselves and their behavior as the benchmark. People outside their group are regarded as outcasts. Thus, members who belong to different cultures are refused, while those belonging to the group or similar cultures are entirely admitted [45]. Similarly, people with ethnocentrism consider their group beyond the others. In the context of consumer behavior, local products are concerned with in-groups and are thus assessed favourably, while foreign products are associated with out-groups and hence are evaluated unfavourably [54-55]. Due to literature that mentioned above, we present our first hypothesis: H1: consumer awareness will have a significant positive effect on consumer ethnocentrism.

**CONSUMER LOYALTY**

Loyalty refers to the degree to which customers intend to repeat their purchases in the future, express a positive willingness toward the provider, and consider this provider the sole option for future transactions [56-58]. Among the academic and professional fields, interest is growing in identifying the elements that influence consumer loyalty with developing the most suitable market action strategies [59-61]. From this consumer viewpoint, consumer are loyal because they really wish to keep the relationship [62, 16]. The service providers make efforts to increase customer loyalty including pleasing customers, providing them with perfect satisfaction [63-64] or setting up switching barriers [65-67]. Day 1969 [68] found only weak evidence that repeat protection, measured as share-of-category purchase, was concerned with consumer features and showed that this was because many behaviorally loyal consumers were affected mainly by chance and routine rather than by preference. Day [68] suggested that attitude to the product would
distinguish the deliberately based *truly loyal* consumers from the *spuriously loyal* consumers whose retention arose from comfort, environmental pressure, or habit. Chen and Ching [69] suggested that loyalty comprises of two dimensions and they are behavior and attitude. The behavior dimension is featured by consequential actions resulting from loyalty, while attitudinal dimension refers to formative behavior as commitment. More importantly, the consumer’s attitude toward a product or service including attitudinal preference and commitment has a greater effect on forming loyalty. Loyalty therefore, is desirable by all business managers as it has established that it is cheaper to retain a consumer than to win a new one [70]. Loyalty is associated with consumer attitudes toward the product or brand. The attitude determines the extent to which the consumer is committed to the product or brand [15, 71]. Consumer loyalty statements as a favorable attitude (declared as a commitment) and repeat buying behavior toward a particular product or brand. It is core of the development of strategy, especially in consumer marketing because loyal consumers engage in repeat purchasing regardless of situations. This increases the firm’s revenue, reduces marketing costs, and increases the firm’s leverage to respond to actions of its competitors [71-76]. However, as time improved, the domain of loyalty increased to include other forms such as store, vendor, service, and place loyalty [71-60]. Similarly, many authors agree that consumers exhibit loyalty toward objects such as brands, stores, or services [14, 17, 73]. Consumer loyalty plays a significant role in marketing. As such, the concept has been given much attention since the 1950s as the theory of consumer behavior developed [14-17]. There is a general comprehension that consumer loyalty increases firm performance. It decreases marketing and operational costs because retaining existing consumers is cheaper than attracting new consumers. Consumer’s loyalty also results in repeat purchases, which also increases revenue for the organization. Accordingly, the profitability of the organization is increased [15, 17, 74, 77]. According to the literature mentioned above, we present our second and third hypothesis in this way: H2: consumer awareness will have a significant positive effect on consumer loyalty. H3: consumer ethnocentrism will have a significant positive effect on consumer loyalty.

**FUNCTIONS OF BRAND**

The quality and identity signaling functions of domestic (compare to global) brands to have direct effects on domestic (compare to global) brand preference. The importance of these brand functions in predicting local brand purchases is important, particularly to managers interested in advancing special aspects of their brands. Research in both developing and developed markets has provided evidence that, in general, quality is realized as a more important consideration than personal identity [18-19]. Yet when comparing the relative importance of the quality function versus the identity function of domestic brands, we note that people have historically perceived domestic brands as having lower quality, and their prestige as alternatives to global brands lies in their local identity associations with culture and traditions. Consumer ethnocentrism is a central construct in the discussion of consumer purchase of local brands, and theory has suggested that a strong nationalistic sentiment related to the morality of purchasing foreign versus locally made products will result in increased preferences for local brands [45]. In fact, grounds of many body has documented this positive effect of consumer ethnocentrism on domestic brand preferences [78-79], preference for local products [80-81], and rejection of foreign brands [82] or brands originating in animosity-evoking countries [83]. Compatible with this local orientation, Verlegh [84] shows that ethnocentric consumers believe that local domestic brands are of higher quality than foreign brands, and similarly, Kumar, Lee, and Kim [85] reported that ethnocentric consumers have more favorable perceptions of both the quality and emotional value of a local apparel brand. The extrapolation of the theoretical underpinnings of consumer
ethnocentrism leads us to expect that the importance of domestic brand functions related to quality and identity will be stronger for more ethnocentric consumers, and similarly, consumers with stronger ethnocentric sentiment will be more likely to purchase domestic brands. Therefore: H4: consumer ethnocentrism will have a significant positive effect on Functions of brand.

Figure 1
Conceptual model

RESEARCH METHODOLOGY

We used previous studies for designing the questionnaire. This study uses survey method and 26 items measuring our four variables. All items adopted from Makanyeza [86], Rousseau and Venter [42] and Strizhakova and Coulter [87]. This study distributes the questionnaire in Hypermarkets in Tehran city. These hypermarkets developed in last decade in Tehran and they have global retailing structures. That means they distribute international retailing brands. Therefore, because this market is strong with internal Iranian brands, we can see a very competitive atmosphere. So this market can be a place for challenging between local brands and foreign brands. Participants selected randomly. All 26 items measured in seven-point Likert scale (from strongly disagree to strongly agree).

MODEL FITNESS AND MEASUREMENT TOOLS

We used pilot study for finding validate item. After the questionnaire distributed in hypermarkets Cronbach’s alpha confirmed reliability of the
questionnaire (more than 0.75 for all variables and is overall 0.81). Finally, 275 functional responses were received. Most of them were female (about 71%). Age distribution of participants focused the range of 35 to 55 (about 58%). Sixty-nine percent of them were married. Also forty-nine percent of them have bachelor university degree and thirty-three of them have master and PhD degree. We use one-sample Kolmogorov-Smirnov for approving normal distribution. Data analysis conducted with Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM). In addition, we employed LISREL for implementing data analysis. The model of study has very good fit ($\chi^2=428.17$, df=271, $p=0.00$, RMSEA=0.064, CFI=0.76, GFI=0.88). Hence, the results confirm paths between 4 variables and 26 items of the study. All standard errors, t-values and standardized loading are significant. Table 1 shows the details.

### INVESTIGATING AND TESTING THE STRUCTURAL MODEL

After data gathering, data analysis had start. First hypothesis that linking consumer awareness and consumer ethnocentrism, was significant ($t=21.33$, $p=0.00$). In addition, H2 describe a relationship between consumer awareness and consumer loyalty, results approved that relationship was significant ($t=28.41$, $p=0.00$). The positive effect of consumer ethnocentrism on consumer loyalty (H3) was significant ($t=17.20$, $p=0.00$). Finally, the last hypothesis of the study that linking consumer ethnocentrism and Functions of brand was significant ($t=19.69$, $p=0.01$). So all hypothesis of the study was supported. That means the results has shown fully support in the study predictions.

### Table 1

**Variables and Items**

<table>
<thead>
<tr>
<th>Variables/Items</th>
<th>Mean</th>
<th>Standard Path Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer awareness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. I always follow TV advertising up.</td>
<td>3.6</td>
<td>0.77</td>
</tr>
<tr>
<td>2. I try to do best deal.</td>
<td>3.5</td>
<td>0.76</td>
</tr>
<tr>
<td>3. I always compare the prices between two stores.</td>
<td>4</td>
<td>0.77</td>
</tr>
<tr>
<td>4. Choosing “Generic brands” is a good way for catching benefits.</td>
<td>4.2</td>
<td>0.80</td>
</tr>
<tr>
<td>5. Social media advertising can effect on my purchase decision.</td>
<td>3.4</td>
<td>0.76</td>
</tr>
<tr>
<td>6. I always share my information about products to my close friends.</td>
<td>3.2</td>
<td>0.77</td>
</tr>
<tr>
<td>7. I always compare some products before making my purchase decision.</td>
<td>3.5</td>
<td>0.74</td>
</tr>
<tr>
<td><strong>Consumer ethnocentrism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Iranian people should by Iranian products first.</td>
<td>3.3</td>
<td>0.81</td>
</tr>
<tr>
<td>9. When there is Iranian products, we should not purchase foreign one.</td>
<td>3.6</td>
<td>0.81</td>
</tr>
<tr>
<td>10. We should not purchase foreign products because it can put Iranian out of job.</td>
<td>3.5</td>
<td>0.79</td>
</tr>
<tr>
<td>11. Only, those products that unavailable in Iran can be imported.</td>
<td>3.4</td>
<td>0.78</td>
</tr>
<tr>
<td>12. A real Iranian should buy Iranian products.</td>
<td>3.5</td>
<td>0.77</td>
</tr>
<tr>
<td>13. I prefer support Iranian products even I should pay more.</td>
<td>3.6</td>
<td>0.77</td>
</tr>
<tr>
<td>14. I think buying imported products can decrease sense on nationality on</td>
<td>3.8</td>
<td>0.81</td>
</tr>
</tbody>
</table>
The results supported all hypothesis. That means consumer awareness has significant effects on consumer ethnocentrism and consumer loyalty. In addition, consumer ethnocentrism has effects on consumer loyalty and functions of brands. We used Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM) and LISREL 8 for gaining these results. Table 2 shows the results.

### Table 2

#### Results of the study

<table>
<thead>
<tr>
<th>Structural Paths</th>
<th>Overall</th>
<th>Standard Path Coefficients</th>
<th>t value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: consumer awareness → consumer ethnocentrism</td>
<td>Supported</td>
<td>0.55</td>
<td>14.25</td>
</tr>
<tr>
<td>H2: consumer awareness → consumer loyalty</td>
<td>Supported</td>
<td>0.49</td>
<td>18.08</td>
</tr>
<tr>
<td>H3: consumer ethnocentrism → consumer loyalty</td>
<td>Supported</td>
<td>0.61</td>
<td>16.69</td>
</tr>
<tr>
<td>H4: consumer ethnocentrism → functions of brands</td>
<td>Supported</td>
<td>0.59</td>
<td>17.11</td>
</tr>
</tbody>
</table>

### CONCLUSION

According to the evolutionary of consumer ethnocentrism concept [52] imported product would influence consumer preferences toward that particular product [53]. Though, consumer ethnocentrism [45] to reject individuals who are culturally dislike while blindly admitting those who are culturally like themselves and individuals within a group treat themselves and their behavior as the benchmark. The people with ethnocentrism consider their group beyond the others. In the context of consumer behavior, local products are concerned with in-groups and are thus assessed favorably, that imported brands are associated with out-groups and hence are evaluated unfavorably. In fact, members who belong to different cultures are refused, and on the other hand those belonging to the group or similar cultures are entirely admitted. Although, consumers are loyal because they wish to keep their relationships [62, 16], loyalty is associated with consumer attitudes toward the product or brand. The
attitude appears the extent to which the consumer is committed to the product or brand. That can increases the firm’s revenue, reduces marketing costs, and increases the firm’s leverage to respond to actions of its competitors. As the time passed, the domain of loyalty increased to include other forms such as store, vendor, service, and place loyalty. Consumers with loyalty also results in repeat purchases, which also increases revenue for the organization. Though, the profitability of the organization would be increased [74-77, 14]. Yet when comparing the relative importance of the quality function versus the identity function of domestic (compare to global) brands, we get that people have historically perceived domestic brands in compare with international brands as having lower quality, and their prestige as alternatives to global brands lies in their local identity associations with culture and traditions. Consumer ethnocentrism is a central construct in the discussion of consumer purchase of local brands, and the theory has suggested a strong nationalistic sentiment related to the morality of purchasing foreign in compare with locally made products will result in increased preferences for local brands.

According to this study ethnocentric consumers believe local domestic brands are of higher quality than foreign brands, and declare that ethnocentric consumers have more favorable perceptions of both the quality and emotional value of a local apparel brand.

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